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SUBJECT: HONG KONG 2008-2009 INTERNATIONAL NARCOTICS CONTROL
STRATEGY REPORT (INCSR) PART 1, DRUGS AND CHEMICAL CONTROL

11. Summary: The Hong Kong Special Administrative Region (HKSAR) is not a major transshipment point for illicit drugs destined for the international market. Some narcotics shipments do transit Hong Kong's high volume port, but its efficient law enforcement efforts, the availability of alternate routes, and the development of port facilities elsewhere in southern China prevent the HKSAR from becoming a major transshipment point. Some traffickers continue to operate out of Hong Kong, arranging shipments from nearby drug-producing countries via Hong Kong to other international markets, including to the United States. The HKSAR Government actively combats drug trafficking and abuse through legislation and law enforcement, preventive education and publicity, treatment and rehabilitation, as well as research and external cooperation. The 1988 UN Drug Convention, to which the People's Republic of China (PRC) is a party, also applies to Hong Kong.

12. Status: Hong Kong's position as a key port city in close proximity to the Golden Triangle and mainland China historically made it a natural transit/transshipment point for drugs moving from Southeast Asia to the international market, including to the United States. In recent years, Hong Kong's role as a transshipment point has diminished due to law enforcement efforts and the availability of alternate routes in southern China. Despite the diminished role, some drugs continue to transit Hong Kong to other international markets. Some drug-traffickers continue to use Hong Kong as their financial base of operations, including investors involved in international drug trafficking activity who reside in Hong Kong. Drug trafficking groups operating in Hong Kong are primarily transnational in nature.

Hong Kong law enforcement officials maintain very cooperative liaison relationships with their U.S. counterparts in the fight against drugs. According to HKSAR authorities, drugs seized in Hong Kong are smuggled mostly for local consumption and to a lesser extent for further distribution in the international market. The 56th edition of the Hong Kong Central Registry of Drug Abuse (HKCRDA) for 2006 reported that the total number of reported drug abusers in recent years declined from 18,513 persons in 2001 to 13,258 in 2006. While at this writing, the 57th edition of the HKCRDA was not yet available, the Hong Kong Narcotics Bureau reported that the number of reported drug abusers in 2007 increased slightly to 13,491, with most of the increase attributed to new users under the age of 21. Through September 2008, the number was up yet again over the same period in 2007.

Though heroin is traditionally the most commonly abused drug in Hong Kong, the number of heroin abusers has been declining for years. In 2007, there were 7,390 (or 55.2 percent of drug abusers) reported heroin users, with the number of reported heroin users falling further in the first three quarters of 2008. The rising trend in the abuse of psychotropic substances in evidence over the last 10 years continued. The number of psychotropic substance abusers increased to 7,810, up six percent from the previous record high in 2006. In the first three quarters of 2008, psychotropic drug abusers increased four percent from the same period in 2007. Among psychotropic substances, the most commonly abused drug is Ketamine (34.2 percent of drug abusers). Triazolam/midazolam/zopiclone (9.4 percent),

Methylamphetamine/Ice (8.9 percent) MDMA/Ecstasy (5.4 percent), cannabis (4.9 percent), cocaine (4.7 percent) and cough medicine (4.3 percent) are also regularly abused.

In 2008, the Hong Kong Government continued to make tackling psychotropic substance abuse a high priority. The Hong Kong Government has identified the continuing prevalence of psychotropic substance abuse and the growing trend of young people experimenting with drugs as their major area of concern in the battle against drug abuse and trafficking.

13. Actions Against Drugs in 2008

Policy Initiatives: Although there were no major policy changes in 2007 and 2008, the Hong Kong Government continued to work with existing counternarcotics policies and strategies in drug prevention efforts. Minor policy changes included the replacement of the Action Committee Against Narcotics on Research by the Research Advisory Group (RAG). Apart from monitoring research, the RAG provides advice on interpreting drug abuse statistical trends and drawing together the latest research findings from both local and overseas narcotics-related studies. The Hong Kong Government publicly discussed the idea of mandating drug testing in public schools, but public opposition to the proposal appears to have stalled it.

Law Enforcement Efforts: Hong Kong's law enforcement agencies, including the Hong Kong Police and Hong Kong Customs and Excise Department (HKCED), place high priority on meeting the objectives of the 1988 UN Drug Convention. Their counternarcotics efforts focus on the suppression of drug trafficking and the control of precursor chemicals. The Hong Kong Police have adopted a three-level approach to combat narcotics distribution: at the headquarters level, the focus is on high-level traffickers and international trafficking;

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the regional police force focuses on trafficking across police district boundaries; and the district level police force has responsibility for eradicating street-level distribution. In 2008, the Hong Kong Police continued ID checks on entertainment premises in order to deter young people from visiting venues where drugs are more easily available.

The HKCED's Chemical Control Group, in cooperation with the U.S. DEA office in Hong Kong, closely monitors the usage of precursor chemicals and tracks the export of suspicious precursor chemical shipments to worldwide destinations with significant results impacting on several regions including the United States. Due to an effective chemical tracking program, in April 2008, a significant seizure of 5.6 million tablets of pseudoephedrine was made by law enforcement authorities in Guatemala. The seizure of this consignment exemplifies the close and successful cooperation between the DEA Hong Kong Office and Hong Kong Customs and Excise authorities against the illicit diversion of chemical precursors for manufacture of dangerous drugs.

Corruption: The HKSAR government strongly opposes illicit production or distribution of narcotic or psychotropic drugs or other controlled substances, and the laundering of proceeds from illegal drug transactions. No senior government official is alleged to have participated in such activities. Hong Kong has a comprehensive anticorruption ordinance that is effectively enforced by the Independent Commission Against Corruption (ICAC), which reports directly to the Chief Executive. In addition, the UN Convention Against Corruption, which the PRC ratified on January 13, 2006, is applicable to Hong Kong.

Agreements and Treaties/International Cooperation: Upon resuming the exercise of sovereignty over Hong Kong, China advised the UN Secretary General that the 1961 Single Convention and the 1972 protocol, the Convention on Psychotropic Substances, and the 1988 UN Drug Convention apply to Hong Kong. Also, the UN Convention against Transnational Organized Crime and the UN Convention against Corruption apply to Hong Kong. Hong Kong has "mutual legal assistance in criminal matters agreements (MLAA)" with the United States and many other countries. Hong Kong signed surrender of fugitive offenders' agreements with Finland, Germany and Korea in 2006 and with Ireland in 2007 to bring the total number of countries

with which Hong Kong has such agreements or treaties to 17, including the U.S. Hong Kong has also signed transfer of sentenced persons' agreements with eight countries, including the U.S. In 2007 Hong Kong signed a mutual legal assistance agreement with Finland.

Hong Kong law enforcement agencies enjoy a close and cooperative working relationship with their mainland counterparts and counterparts in many countries. In October 2008, a Colombian money launderer was successfully extradited from Hong Kong back to the United States to face federal money laundering charges. The subject was arrested on a Provisional Arrest Warrant filed under the MLAA. In this same case and pursuant to a U.S. MLAA request, the Hong Kong authorities restrained over \$1.1 million dollars in several Hong Kong Bank accounts belonging to this subject. The funds in those banks are pending U.S. forfeiture proceedings.

Last year Hong Kong's Joint Financial Intelligence Unit (JFIU) entered into Memoranda of Understanding in respect to intelligence sharing with the financial intelligence units of Australia, Korea, Japan, Singapore and Canada. In the eleven years since Hong Kong returned to Chinese control, liaison information sharing and data-networking functions between Hong Kong and Chinese authorities, such as customs information, have been formalized and have successfully increased the levels of inter-system cooperation and efficiency. Training is an important element of cooperation between U.S. and Hong Kong law enforcement counterparts. In November 2008, the U.S. Internal Revenue Service/Criminal Investigation Division (IRS/CID) participated in a two-week financial training seminar hosted by Hong Kong's Joint Financial Intelligence Unit (JFIU) at Hong Kong Police Headquarters.

Hong Kong participates in Project Prism and Operation Cohesion, both managed by the International Narcotics Control Board, to control the illegal diversion of chemical precursors. Hong Kong also participates in joint tracking programs, which allow Hong Kong Customs and the U.S. Drug Enforcement Agency to target the movement of precursor chemical shipments exported from, transshipped or transiting via Hong Kong to high-risk countries. In addition to the monitoring of controlled chemical precursors, Hong Kong monitors the movement of ephedra, a raw material for the manufacture of ephedrine. The 1988 UN Drug Convention, 1961 UN Single Convention as amended by the 1972 Protocol, and the 1971 UN Convention Against Psychotropic Substances are applicable to Hong Kong.

Cultivation and Production: Although Hong Kong police detected and destroyed several minor drug production and cultivation enterprises in 2006, including four small-scale crack cocaine production labs

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and three cannabis cultivation sites, Hong Kong is generally not considered a significant producer of illicit drugs.

Drug Flow/Transit: Some drugs continue to flow through Hong Kong for the overseas market, to destinations including Australia, China, Japan, Taiwan, Europe, and the United States. In July 2007, based on an aggressive container profiling program, the HKCED seized 160 kilograms of cocaine which was concealed within containerized cargo believed to be destined for European markets. The container was transiting through Hong Kong in order to disguise its origin. Traffickers use land routes through mainland China to smuggle heroin into Hong Kong. In 2007, Hong Kong Customs authorities arrested 14 Thai nationals at Hong Kong International Airport attempting to smuggle heroin into Mainland China.

There continues to be an increase of cocaine and other ATS (amphetamine-type stimulants) such as methamphetamine, MDMA, and ketamine being smuggled into Hong Kong. Cocaine consumed in Hong Kong is primarily sourced out of Southern China (Guangzhou Province). The cocaine and other ATS drugs destined for Hong Kong are usually transported via courier (by train), in ounce and gram quantities. Couriers also still continue to smuggle drugs by way of concealment methods through the airport. In July 2008, Hong Kong Police authorities seized over 13 kilograms of powdered cocaine concealed in plastic containers of protein powder and arrested the two couriers at Hong Kong International Airport.

The heavy volume of vehicle and passenger traffic at the land boundary between the Chinese Mainland and Hong Kong continues to pose difficulties in the fight against the trafficking of drugs into and out of Hong Kong. In an effort to curb Hong Kong's role as a transit/transshipment point for illicit drugs, the HKSAR maintains a database of information on all cargo, cross-border vehicles, and shipping. The air cargo clearance system, the land border system and the customs control system are all capable of quickly processing information on all import and export cargoes, cross-border vehicles and vessels. The local Chinese population dominates the Hong Kong drug trade. Contrary to common belief, there is not a significant and direct connection between Hong Kong narcotics activity and Hong Kong triads at the wholesale and manufacturing level. Therefore, drug investigations are not focused on known triad societies, but rather on the particular trafficking syndicates or individuals involved. Trafficking destined for mainland China by Southeast Asians continues to be prominent.

Domestic Programs: The Hong Kong Government uses a five-pronged approach to confront domestic drug problems, including legislation and law enforcement, preventive education and publicity, treatment and rehabilitation, research, and external cooperation. In 2007, the Hong Kong Government's preventative education policy efforts continued to focus on youth and parents. The Hong Kong Government has provided a comprehensive drug prevention program throughout Hong Kong's education system. As previously noted, the Hong Kong Government publicly discussed the idea of mandating drug testing in schools, but public opposition to the proposal appears to have stalled it.

In 2007 and 2008, the Hong Kong Police Narcotics Division continued publicity efforts to teach Hong Kong adolescents about the detrimental effects of commonly abused drugs like Ketamine by using announcements in the public interest through TV and radio broadcasts, short internet films, and wide dissemination of posters and printed materials. The Hong Kong Government's Narcotics Bureau partners with youth organizations and groups such as Junior Police Call, the Hong Kong Red Cross, and the Scout Association of Hong Kong to promote an anti-counternarcotics message to youths. The Hong Kong Government also implemented a public awareness campaign to educate the public about the harmful effects of Ketamine and Ecstasy, the two most commonly abused drugs among youth. A Hong Kong Government sponsored Hip Hop Dance and Music Competition encourages youth to participate in healthy activities and reinforces a healthy drug-free lifestyle. The Hong Kong Government also launched an updated drug education kit to disseminate counternarcotics messages in schools and regularly publicizes the consequences of cross-boundary drug abuse.

In June 2004, the Hong Kong Government formally opened the Drug Information Centre (DIC), funded by the Hong Kong Jockey Club. The DIC is the first exhibition center in Hong Kong dedicated to counternarcotics education. Since the DIC's opening, it has received more than 100,000 visitors for various drug-prevention education activities. The Government also continued to commission nongovernmental organizations to assist in educating primary and secondary school children by sponsoring counternarcotics education programs in local schools and conducting counternarcotics seminars with parents, teachers, social workers and persons from various uniform groups. For the 12 month period ending in August 2007, 163,000 school-age children participated in drug education programs provided by the government.

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The Hong Kong Government also continued to implement a comprehensive drug treatment and rehabilitation program in 2008. The fourth Three-year Plan on Drug Treatment and Rehabilitation Services was released in March 2006. The plan sets out the overall direction for enhancing Hong Kong's treatment and rehabilitation services and increases focus on early intervention efforts and focus programs that reach out to substance abusers. The Department of Health and the Social Welfare Department continued to operate seven residential drug treatment centers and five counseling centers for psychotropic substance abusers and the Department of Health continued its operation of a methadone treatment program. The Correctional

Services Department continued to provide compulsory treatment for convicted persons with drug abuse problems. In early 2008, the Hong Kong Government launched a pilot cooperation scheme to refer abusers to designated medical practitioners who provide comprehensive health check-ups and motivational interviews, to alert abusers of any signs of health deterioration as a result of drug use, and to heighten abusers awareness of early treatment options.

14. U.S. Policy Initiatives and Programs

Bilateral Cooperation: The U.S. Government and the HKSAR continue to promote sharing of proceeds from joint counternarcotics investigations. In May 2003, Hong Kong began participating in the U.S. Container Security Initiative (CSI), which U.S. law enforcement believes will increase the potential for identifying shipments of narcotics, even though its focus is on terrorism and weapons of mass destruction. Hong Kong is also an active participant in the International Law Enforcement Academy (ILEA) in Bangkok, Thailand. From 2003 to October 2005, Hong Kong Customs, Hong Kong Department of Health and the U.S. DEA launched a joint operation to monitor the movement of precursor chemicals that are used in the production of methamphetamine and other drugs from Hong Kong to high-risk countries. The operation effectively decreased the frequency of these shipments and, through the high level of information exchange and timely international tracking, indicated strong cooperation between Hong Kong Government officials and their U.S. counterparts.

To further strengthen international cooperation against trafficking of precursors used in the production of amphetamine and other amphetamine-type stimulants (ATS) drugs, Hong Kong secured an agreement with the U.S., Mexico and Panama to impose stringent controls on such shipments. Since the agreement's implementation in April 2005, no shipment of such products to Mexico or any other high-risk countries has been detected. Another cooperative chemical initiative was implemented in February 2006. This program allows the U.S. DEA and Hong Kong Government to monitor and track other precursor chemical shipments sourced from countries or territories in Asia, which transit through Hong Kong, and are destined to high-risk countries.

The Road Ahead: The Hong Kong Government has proven to be a valuable partner in the fight against drug trafficking and abuse. Hong Kong law enforcement agencies, among the most effective in the region, continue to cooperate closely with U.S. counterparts. The U.S. Government will continue to encourage Hong Kong to maintain its active role in counternarcotics efforts.

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